

2009 CDBG Application Policy

<u>Table of Contents</u>	<u>Page Number</u>
Application Process	2
Eligible Applicants	6
Threshold Criteria	8
Activity Guidelines and Regulatory Requirements	9
Homeowner Repair and Improvement.....	19
Migrant/Seasonal Farm Worker Housing	20
Permanent Rental Rehabilitation.....	22

A p p l i c a t i o n P r o c e s s

Overview

The purpose of this application is to provide subsidies in the form of grants for the acquisition, development, and rehabilitation of housing that is affordable to low and moderate-income people. Through this program, IHCDA seeks to either improve the quality of existing housing stock in Indiana or increase the supply of quality affordable housing for Hoosiers.

This program is designed to give preference to applicants that:

1. Demonstrate they are meeting the needs of their specific community.
2. Attempt to reach low and very low-income levels of area median income.
3. Are ready to proceed with the activity upon receipt of the award.
4. Revitalize existing neighborhoods.
5. Propose projects that are energy-efficient and are of the highest quality attainable within a reasonable cost structure.
6. Encourage the use of Minority Business Enterprise and/or Women-Owned Business Enterprise.

In addition, IHCDA encourages applicants to use Indiana contractors, employees, and products when planning their housing activities.

2009 Program Year Funding Rounds

**This is an anticipated date and is subject to change.

Round 1

Application Due Date	September 11, 2009
Award Announcements	October 22, 2009**

Round 2

Application Due Date	January 22, 2010
Award Announcements	February 25, 2010**

Submission Process

CDBG applications must be received in the IHCDCA office no later than 5:00pm EST on or before the application due date. **Applications received after the due date will not be accepted.** Only one application per housing activity per organization is allowed. **Faxed or e-mailed applications will not be accepted.**

The applicant must submit the following:

- Via CD-ROM:
 - One (1) completed electronic copy of the application forms
- Via hard copy:
 - All forms that require original signatures
 - All supporting documents required in the tabs

All applicants must retain a copy of this application package. Applicants that receive funding will be bound by the information contained herein.

Submit application packages to:

Indiana Housing and Community Development Authority
Attn: CDBG Program
30 South Meridian Street, Suite 1000
Indianapolis, IN 46204

IHCDA's office is located on the 10th Floor of 30 South Meridian Street. A map showing IHCDA's location, along with directions to the building is available in the Appendices.

Technical Assistance Meeting

If the proposed housing activity is feasible and CDBG may be a possible source of financing, the applicant may schedule a technical assistance meeting with their IHCDCA Community Development Representative to discuss both the proposed development and IHCDCA's application process. A technical assistance meeting is required for all applicants, sub-recipients, or administrators who have received fewer than two CDBG awards. For example, if the legal applicant is applying for CDBG funds for the first time, but is using an administrator who has been involved in six prior CDBG awards, a technical assistance meeting would not be required but strongly recommended. A technical assistance meeting can be face-to-face or via an IHCDCA webinar.

There will likely be many more applications submitted than IHCDa can fund during a given competitive funding round. For this reason, applicants are urged to contact IHCDa early in the planning process to obtain guidance and technical assistance.

Application Review

Each application will be reviewed in a three-step process:

- | | |
|--------------------------------|--|
| <u>Step One</u> - Completeness | All required exhibits and attachments are included and the application was received on or before the due date. IHCDa staff may contact an applicant after an application deadline to request clarification of information contained in a pending application. However, if the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCDa staff. |
| <u>Step Two</u> - Threshold | The application meets all of the required threshold criteria. |
| <u>Step Three</u> – Scoring | (HRI Projects Only) Applications that pass the completeness and threshold reviews are then scored according to IHCDa’s published scoring summary, found within each applicable application exhibit. Applications failing to meet Steps 1 and 2 <u>will not</u> be scored. |

Unfunded Applications

Unfunded applicants will receive a copy of IHCDa’s final score sheet along with a letter detailing why the application was not funded. Any application that is not recommended for funding in Round 1 may be rolled over into Round 2 of the current program year per the following: (1) IHCDa’s approval to roll the application into Round 2 and; (2) the applicant agrees to the application being rolled over. Applications not funded in Round 2 will not be rolled over into next program year/funding cycle.

Award Manual

The Award Manual outlines the requirements for administering IHCDa’s CDBG award. A complete copy of the 2009 CDBG Award Manual is available via [IHCDa’s](#) website.

Award Training

Following the award date, Community Development Representatives will be available to conduct a one-on-one CDBG award training, upon request. This training is required for all applicants, sub-recipients, or administrators who have received fewer than two CDBG awards. This training will cover various aspects of the regulatory requirements for administering funds, record keeping, and the forms and reports that must be submitted to IHCDA.

Eligible Applicants

Eligible applicants include cities, towns, or counties that are located within Indiana but outside of CDBG entitlement communities. Not-for-profit 501(c)3 or 501(c)4 organizations, CHDO's, public housing authorities, regional planning commissions, or townships are encouraged to participate in activities as sub-recipients of local units of government but must apply through a sponsoring eligible city, town, or county.

The following entitlement communities are not eligible to apply for CDBG funds:

Anderson	East Chicago	Gary	Kokomo	LaPorte	New Albany
Bloomington	Elkhart	Goshen	Indianapolis**	Michigan City	South Bend
Carmel	Evansville	Hamilton County*	Lafayette	Mishawaka	Terre Haute
Columbus	Fort Wayne	Hammond	Lake County	Muncie	West Lafayette

**The town of Sheridan will be eligible to receive assistance.*

***The cities of Beech Grove, Lawrence, Speedway, Southport, and the Town of Cumberland (when the housing activity is located in Hancock County) will be eligible to receive assistance.*

Organizations that are religious or faith-based are eligible to participate in the CDBG programs on the same basis as any other organization. Organizations that are directly funded under the CDBG program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the assistance funded under this part. If an organization conducts such activities, the activities must be offered separately, in time or location, from the assistance funded under this part, and participation must be voluntary for the beneficiaries of the assistance provided.

A religious organization that participates in the CDBG program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct CDBG funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities, without removing religious art, icons, scriptures, or other religious symbols. In addition, a CDBG-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents. An organization that participates in the CDBG program shall not, in providing program

assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

CDBG funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. CDBG funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, CDBG funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to CDBG funds in this part. Sanctuaries, chapels, or other rooms that a CDBG-funded religious congregation uses as its principal place of worship, however, are ineligible for CDBG-funded improvements. Disposition of real property after the term of the award, or any change in use of the property during the term of the award, is subject to government-wide regulations governing real property disposition (*see* 24 CFR parts 84 and 85).

An applicant whose housing activity is located within a CDBG entitlement community but can demonstrate and document within the application that 51% of the beneficiaries will come from outside the CDBG entitlement community are eligible to apply for CDBG funding through IHCD. In this instance the entitlement community cannot serve as the applicant for assistance through IHCD, but another local unit of government would be eligible (e.g., the county or another town whose citizens would benefit from the housing activity).

Applicants whose housing activity is located within a CDBG entitlement community and less than 51% of the beneficiaries will come from outside the CDBG entitlement community are still eligible to apply for CDBG funding through IHCD but only in an amount that is equal to or less than, relative to total housing activity costs, the percentage of beneficiaries located outside of the entitlement community. For example, if 30% of the beneficiaries were located outside of the entitlement community, the applicant could apply for CDBG funds in an amount up to 30% of total housing costs, given all other subsidy limitations. Here again, the entitlement community cannot serve as the applicant.

Threshold Criteria

To be considered for funding, an applicant must meet **all** of the criteria listed below. Applications that fail to meet **any** of these criteria will **not** be considered. All required supporting documentation must be included in the application.

1. On or before the application deadline, the applicant must provide all documentation as instructed within the CDBG Application. If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCD staff.
2. The applicant must have resolved all previous monitoring requirements.
3. All open CDBG and HOME awards provided to the award recipient, sub-recipient and/or administrator must have made sufficient progress towards setup and completion.
4. IHCD reserves the right to disqualify from funding any application where the applicant, sub-recipient, administrator, preparer, or any of their related parties has a history of disregarding the policies, procedures, or staff directives associated with administering any IHCD program or programs of other State, Federal, or affordable housing entities, such as, but not limited to the Indiana Office of Rural Affairs, U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

Activity Guidelines and Regulatory Requirements

Eligible Housing Activities

This program is intended to have a long-term impact on the availability and quality of the affordable housing stock in Indiana.

Any major household system repaired or replaced as part of the rehabilitation process must meet the stricter of the Indiana State Building Code or local building codes. Funds may be used to remedy conditions that, while not posing an immediate threat to health and safety, represent an ongoing threat to the structural integrity of a building and may eventually result in an emergency situation. Rehabilitation activities may be completed to incorporate accessibility design.

Eligible housing activities include:

- Manufactured homes are eligible if they meet IHCD's Manufactured Housing Policy or if rehabilitation will bring the unit up to these standards:
 - A single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
 - 1) Shall have been constructed after June 15, 1976, and must exceed nine hundred fifty (950) square feet of occupied space per I.C. 36-7-4-1106 (d);
 - 2) Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
 - 3) Has wheels, axles and towing chassis removed;
 - 4) Has a pitched roof;
 - 5) Consists of two (2) or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space; and
 - 6) Is located on land held by the beneficiary in fee-simple title, recorded land sale contract, or 99-year leasehold and is the principal residence of the beneficiary.

- All other manufactured or mobile homes that do not meet the aforementioned criteria are ineligible to receive rehabilitation assistance on developments funded by the Indiana Housing Community Development Authority.
- For all activities, if there is a long-term lease agreement on the property, a 99-year lease must be recorded in the county recorder's office of the county in which the property is located prior to award document preparation. See IHCD's Award Manual for additional information.

Eligible housing activities **DO NOT** include:

- Creation of secondary housing attached to a primary unit
- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories
- Rehabilitation of mobile homes
- Rehabilitation located within the boundaries of a 100-year floodplain

Award Term

- The CDBG award must be fully expended within an 18-month term. The term begins the month IHCD mails out the award documents.

Form of Assistance and Guidelines

- IHCD will provide CDBG funds to an award recipient in the form of a grant. The award recipient will then provide CDBG funds to an eligible beneficiary in the form of either a grant - subject to resale guidelines, or a forgivable loan - subject to recapture guidelines.
 - **Resale Guidelines:** The resale restriction will require the seller to sell the property only to a low-income family that will use the property as their principal place of residence. The term "low-income family" shall mean a family whose gross annual income does not exceed 80% of the median family income for the geographic area, published annually by HUD. With the resale option, the homeowner selling the property will be allowed to receive a fair return on investment, which will include the homeowner's investment and any capital improvements made to the property.
 - **Recapture Guidelines:** The maximum amount of CDBG funds subject to recapture is based on the amount of CDBG assistance that enabled the owner to rehabilitate their home. The amount to be recaptured is based on a prorated-shared net sale proceeds calculation. If there are no proceeds, there is no recapture. Any net sale proceeds that exist would be shared between the award recipient and the beneficiary as outlined according to the forgiveness schedule for the

affordability period associated with the property, not to exceed the original CDBG investment.

The net proceeds are the total sales price minus all loan and/or lien repayments.

- If there will be proceeds from an award, the award recipient can either (1) repay IHCD the amount of recaptured funds or (2) receive approval from IHCD regarding the reuse of these funds**.

***The entities receiving a loan from the award recipient may not re-loan the funds to anyone else.*

- The award recipient will be required to execute a lien agreement/restrictive covenant, regardless of either Resale or Recapture, and other documents as necessary for the assisted property on behalf of each beneficiary.
- All legal documents between the award recipient and assisted beneficiary must be recorded at the county recorders office. These documents will be reviewed when monitored by IHCD staff.

Affordability Requirements

- Homeowner Repair and Improvement:

Amount of CDBG subsidy per unit:	Affordability Period
Less than or equal to \$5,000.00	1 year
\$5,000.01 – 10,000.00	2 years
Over \$10,000.01 - \$20,000.00	3 years

- Permanent Rental Rehabilitation and Migrant/Seasonal Farm Worker Housing

Amount of CDBG subsidy per unit or bed:	Affordability Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years

- If HOME and CDBG are used in a development during the same program year, the combined amounts will determine the affordability period.

Leveraging Funds Requirement

- IHCD requires a 10% match requirement.
- If the applicant is proposing to utilize banked leverage for this activity: and
 - It is the applicant's own banked leverage, the leverage liability on the previous award for which the match was generated must already be met and documented with IHCD for the

leverage to be eligible as of the application due date. Leverage can only be banked on awards beginning with the 2002-2003 application package or later.

OR

- If it is another recipient's match/leverage, the applicant must provide an executed agreement with the application verifying that the recipient is willing to donate the match/leverage. A boilerplate agreement is found in the Appendices. Only banked leverage from awards made beginning with the 2002-2003 application package or later that have fully met their leverage liability is eligible to donate to another applicant. The award must be closed before the agreement to donate leverage is executed.
- Leverage cannot be sold or purchased and is provided purely at the discretion of the recipient that generated it.
- Banked leverage generated on a CDBG award can be used on a future CDBG award
- Banked match generated from a HOME award can be used as leverage on a future CDBG award.
- Banked leverage generated on a CDBG award cannot be used as match on a future HOME award.

Housing Activity Provisions

- All applicants are required to complete the environmental review record (ERR) and submit it to the appropriate Community Development Representative prior to or with application submission. Refer to the [Environmental and Historic Review User Guides](#) for further explanation of these requirements.
 - Local unit of government applicants must publish a notice requesting a release of funds no later than 7 days following the application due date and submit the publisher's affidavit to IHCDA within 14 days of application due date.
- All applicants must also submit documentation to the IHCDA DNR-SHPO Housing Liaison requesting the initiation of the historic review process on or before the application deadline (single-site projects ONLY). On average, a historic review may take up to 90 days or more to complete. If the development involves an historic structure, approval may take much longer or rehabilitation may be prohibited entirely. Submitted documentation must be deemed sufficient and complete to meet this requirement.

Required documentation includes:

- A description of the Federal involvement – use of CDBG funds and any other federal funds;
- A description of the undertaking;
- Description of steps to identify historic properties and information pursuant to Sec. 800.4(b);
- Determination of affect (Sec. 800.5);
- Map with area of potential effect (APE) and development site clearly identified;
- Clear photographs of all areas that will be affected by the project.

- Applicants may not rehabilitate any property to be assisted with CDBG funds until the environmental and historic review process has been completed.
- Local unit of government applicants must demonstrate that it will complete an action to affirmatively further fair housing during the time frame of an award.
- Award recipients will be required to provide proof of adequate builder's risk insurance, property insurance, and/or contractor liability insurance during construction and property insurance following construction for the assisted property throughout the affordability period of the award. Owner-occupied rehabilitation must also stipulate that adequate property insurance be maintained throughout the affordability period in their beneficiary loan documents.
- The applicant must hold one public hearing about the undertaking prior to application submission. Specific requirements must be completed for this meeting, as identified in the Appendices. Additionally, if funded, a second public hearing will be required upon project completion and prior to the submission of the award closeout documents.

Regulatory Requirements

- All regulatory CDBG requirements listed in [24 CFR Part 570](#) must be met.
- Recipients of a CDBG award must follow competitive procurement procedures for all costs intended to be reimbursed by the award.
- Recipients of a CDBG award are subject to the requirements of the Uniform Relocation Act. See the Appendices for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at [49 CFR Part 24](#) and the requirements of [Section 104\(d\) of Title I of the Housing and Community Development Act of 1974, as amended](#).
- The housing must meet the accessibility requirements of [24 CFR Part 8](#), which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at [24 CFR 100.201](#). It must also meet the design and construction requirements at [24 CFR 100.205](#), which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See IHCD's Award Manual for guidance on the regulatory requirements of Section 504 Accessibility Standards.
- Recipients of a CDBG award are subject to the HUD requirements of dealing with lead-based paint hazards required by [24 CFR Part 35](#). If a risk assessment is required, then all lead-based paint issues must be addressed within the area of rehabilitation. See IHCD's Award Manual for guidance on the regulatory requirements of lead-based paint.
- Recipients of a CDBG award are required to perform an environmental and historic review on all assisted properties. For the regulatory requirements of environmental and historic review found in [24 CFR Part](#)

[58](#), see the Environmental Review and Historic Review User Guides or contact your IHCD Community Development Representative for further guidance.

Subsidy Limitations

- Combined CDBG funds budgeted for program delivery, administration, and environmental review cannot exceed 20% of the CDBG award.

Eligible Activity Costs

The bolded items listed below are included in the application budget. If you have a question about which line item an expense goes under, contact your IHCD Community Development Representative.

ACQUISITION – Limited to the purchase price (at or below appraised value) and related costs associated with the acquisition of real property. The recipient of a CDBG award is required to use a title company when purchasing assisted properties. If the development is acquisition only, there should be no hard costs line item in the Uses of Funds exhibit.

NEW CONSTRUCTION – **Only available for migrant/seasonal farm worker housing.** A qualified Community Based Development Organization (CBDO) as defined by the CDBG regulations in 24 CFR 570.204(c), or an entity carrying out an activity as defined in Section 105(a)(15) of Title 1 of the Housing and Community Development Act of 1974 as amended, must supervise the construction of this activity. For more information, see the definition of a CBDO in the Appendices. Eligible costs include:

- Hard costs associated with new construction activities.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard housing activities. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- Costs to construct an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.

REHABILITATION – Eligible costs include:

- Hard costs associated with rehabilitation activities.
- Lead-based paint interim controls and abatement costs.
- Mold remediation.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to rehabilitate an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.

DEMOLITION – Costs associated with the demolition and clearance of existing structures.

PROGRAM DELIVERY - Program delivery costs are those costs that can be directly tracked by address. They include soft costs and client-related costs that are reasonable and necessary for the implementation and completion of the proposed activity. This line item along with administration and environmental review cannot exceed 20% of the CDBG request. Recipients are allowed to draw down this line item as costs are incurred. Eligible costs include:

- | | | |
|---------------------------------------|-----------------------------------|--------------------------------------|
| ▪ Engineering and Architectural Plans | ▪ Credit reports | ▪ Client in-take/Income verification |
| ▪ Specifications and Work Write-Ups | ▪ Title searches | ▪ Impact fees |
| ▪ Inspections | ▪ Recording fees | ▪ Realtor fees |
| ▪ Costs estimates | ▪ Private lender origination fees | ▪ Legal and Accounting fees |
| ▪ Building permits | ▪ Appraisals | ▪ Utilities of assisted units |
| ▪ Demolition permits | ▪ Travel to and from site | |

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket expenses for temporary relocation purposes. For additional information on relocation and displacement, please refer to the information provided in the Appendices.

LEAD HAZARD TESTING – Costs associated with lead hazard testing includes Risk Assessment, Clearance Test, etc. **The limits for this line item are \$800-\$1000 per unit.**

ADMINISTRATION - The administration line item includes those costs directly related to administering the IHCD award and complying with the regulations associated with these funds. This line item along with program delivery and environmental review cannot exceed 20% of the CDBG request and generally is between \$5,000 and \$10,000. Recipients are allowed to draw down this line item as costs are incurred. The costs associated with preparing the application are not eligible for reimbursement through a CDBG award. Eligible costs include:

- Staff time or professional services related to reporting, compliance, monitoring, or financial management
- Housing activity related training
- Rent and utilities
- Lead-based paint training
- Housing activity related travel
- Materials, supplies
- Postage
- Communication costs
- Photocopying

ENVIRONMENTAL AND HISTORIC REVIEW – This line item includes expenses associated with the Historic Review and Environmental Review Release of Funds process. This line item along with program delivery and administration cannot exceed 20% of the CDBG request. Eligible costs for this line item are generally between \$2,000 and \$5,000 and include professional services, publication costs, photocopying, and postage. This does not refer to a Phase I Environmental Assessment. Those expenses should be included in the Program Delivery line item. For further information regarding this activity, please read the Environmental and Historic Review Guides or contact your IHCD Community Development Representative.

Ineligible Costs

The following costs are generally ineligible for reimbursement from CDBG funds, unless specifically listed as eligible in an individual Eligible Activity description:

- Commercial Development Costs – All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include common area used by tenants of rental property or the leasing office of an apartment manager. CDBG awards cannot be used to underwrite any portion of commercial development costs. The expenses incurred and income to be generated from commercial space must be reported in a separate “Annual Expense Information” sheet and 15-year proforma.
- Replacement Reserves – Funds used to initially capitalize a reserve fund used for major capital repairs to a rental housing facility. These funds cannot be applied to a CDBG award. These funds can be capitalized either through operating cash flow or through the development budget on the Uses of Funds exhibit.
- Operating Reserves – Funds used to initially capitalize a reserve fund that covers operating expenses when there are rental income shortfalls over the life of a rental development. This line item must be included on the Uses of Funds exhibit. These funds cannot be applied to a CDBG award.
- Developer’s Fee – CDBG funds cannot be used to pay developer’s fees.
- Cost associated with any IHCDCA application preparation.
- Purchase or installation of luxury items, such as swimming pools or hot tubs.
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers.
- Tenant based rental assistance.
- Mortgage default/delinquency correction or avoidance.
- Loan guarantees.
- Annual contributions for operation of public housing.

Retainage Policy

IHCDA will hold the final \$5,000 of an award until the completion reports, leverage documentation, and closeout documentation is received and approved.

Rent Restrictions (permanent rental rehabilitation and migrant seasonal farm worker housing activities only)

- CDBG-assisted rental units will be rent restricted throughout the affordability period to ensure that the units are affordable to low-income households. Please refer to the most recent CDBG rent limits, which may be found on IHCDCA’s website.
- Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an IHCDCA or HUD approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is \$300. The utility allowance for gas heat is \$28, for

other electric is \$20, and for water is \$13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be \$239 ($\$300 - \$28 - \$20 - \$13 = \239).

- If an SRO-unit has neither food preparation nor sanitary facilities, or only one, the rent may not exceed 75 percent of the FMR for a zero-bedroom unit. For example, the Fair Market Rent for a 0-bedroom unit in a given county is \$300. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be \$225 ($\$300 \times 75\% = \225).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in the Appendices) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays \$100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is \$50. If the published 40% Rent Limit is \$300, the tenant paid portion of rent cannot exceed \$150 ($\$300 \text{ Rent Limit} - \$100 \text{ Section 8 Voucher} - \$50 \text{ Utility Allowance} = \$150 \text{ Maximum Tenant Paid Portion}$).
- If the development receives federal or state project-based rent subsidy and tenants at or below 50% AMI pay no more than 30% of his/her adjusted income for rent, the maximum rent may be the rent allowable under the project-based subsidy program.
- Rent limits do not include food or the costs of supportive services.
- All tenants who occupy CDBG-assisted rental housing units must be income recertified on an annual basis. The HUD Part 5 definition of household income applies

Homeowner Repair and Improvement

Refer to the sections labeled “Activity Guidelines and Regulatory Requirements” for additional requirements of this activity.

Eligible Homeowner Repair and Improvement Activities

The intent of this eligible activity is to provide funding for minor repairs related to health/safety, accessibility, or the rehabilitation of housing that is the owner’s permanent residence. Examples of minor repairs are an inoperable or faulty furnace, leaking roof, unsafe electrical wiring and plumbing, hazardous structural conditions, etc.

Eligible homeowner repair and improvement activities include any single-family owner-occupied property, including a one to four family property or a condominium unit. Ownership must be in fee simple title, a contract purchase, a 99-year leasehold interest, a life estate, a guardian’s deed, or equivalent form of ownership approved by HUD or IHCDA. For homes being purchased through a land sales contract, both the buyer and seller must sign agreement documents and approve all rehabilitation, modification, or repair work.

Eligible Activities **DO NOT** include:

- Improvements to infrastructure when there will be no rehabilitation work done on the actual house to be served.

Eligible Beneficiaries

- Each beneficiary must own the property and occupy the property as his or her principal residence.
- Each household must have an annual income equal to or less than 80% of the area median family income (adjusted for household size) for the target area. The Part 5 definition of household income applies.

Subsidy Limitations

- Maximum award amount is \$250,000.
- CDBG funds for rehabilitation, relocation, and program delivery combined may not exceed \$20,000 per unit.

Migrant/Seasonal Farm Worker Housing

Refer to the section labeled “Activity Guidelines and Regulatory Requirements” for additional requirements of this activity.

Eligible Migrant/Seasonal Farm Worker Housing Activities

The intent of this activity is to provide funding for the acquisition, rehabilitation, and/or new construction of housing that is used temporarily by migrant and/or seasonal farm workers while they are working at a farm or farming related business.

The purpose of farm worker housing is to provide decent, safe, and affordable on-farm housing to farm workers. Assistance is available through local units of government to growers who are owners of existing or vacant housing provided for low-income farm workers.

New construction is allowed only if carried out by a Community Based Development Organization (CBDO) as defined by the CDBG regulations in 24 CFR 570.204(c) or by an entity carrying out an activity as defined in Section 105(a)(15) of Title 1 of the Housing and Community Development Act of 1974 as amended. For more information, see the Definitions in the Appendices or contact your Community Development Representative.

Migrant/seasonal farm worker housing may be in the form of traditional apartments, group homes, or single-room-occupancy units (SROs).

Eligible migrant/seasonal farm worker activities **DO NOT** include:

- Rehabilitation of dormitory or barracks style housing camps unless you are converting them to apartments or SRO units.
- The use of a facility for an emergency shelter or transitional housing.
- CDBG funds may not be used for supportive services or operating expenses.

Eligible Beneficiaries

- Individuals or families assisted must be persons that are members of groups presumed by HUD to be of low to moderate income (i.e., migrant/seasonal farm workers) and presumed by IHCD to be at or below 30% of the area median income for that county; therefore, income verification is not required. This requirement remains in effect throughout the affordability period.

- An eligible migrant/seasonal farm worker is a person employed in agricultural work of a seasonal or other temporary nature who is required to be absent overnight from his or her permanent place of residence.
- Eligible beneficiaries do not include immediate family members of an agricultural employer or a farm labor contractor, and temporary H-2A foreign workers. H-2A temporary foreign workers are nonimmigrant aliens authorized to work in agricultural employment in the United States for a specified time period, normally less than 1 year.

Subsidy Limitations

- Maximum award amount is limited to \$200,000.
- Maximum CDBG funds per bed may not exceed \$20,000.

Migrant/Seasonal Farm Worker Housing Provisions

- All migrant/seasonal farm worker housing must provide a minimum floor space of eighty (80) square feet per occupant. All units must provide running water.
- Rehabilitation must meet all Indiana State Board of Health standards for farm worker housing. All migrant and seasonal farm worker housing must obtain a permit to operate from the Indiana State Department of Health. In addition, the construction, installation, or modification of any facility may not begin without having a valid construction permit issued in accordance with the Indiana State Department of Health. An application for a permit to construct any facility must be made at least ninety (90) days prior to the date construction of the facility is to commence.
- Recipients of CDBG awards for migrant seasonal farm worker housing will be required to report certain information about beneficiaries of assisted units to IHCD annually throughout the affordability period in the Annual Rental Report.

P e r m a n e n t R e n t a l R e h a b i l i t a t i o n

Refer to the section labeled “Activity Guidelines and Regulatory Requirements” for additional requirements of this activity.

Underwriting Guidelines

The following are underwriting guidelines for rental developments. The numbers submitted in the application should reflect the nature and true cost of the proposed activity. IHCDCA will consider any underwriting outside of these guidelines if supporting documentation is provided.

- Operating Expenses – IHCDCA will consider the reasonableness of operating expenses for each development based on information submitted by the Applicant. However, unless there are circumstances to justify it, IHCDCA will generally consider operating expenses to be outside of underwriting criteria if they exceed the greater of \$2700 - \$3000 per unit or 35% of gross income.
- Management Fee – 5%-7% of “effective gross income” (gross income for all units less Vacancy Rate).
 - 1-50 units 7%
 - 51-100 units 6%
 - 100+ units 5%
- Vacancy Rate – 6%-8%
- Rental Income Growth – 1%-3%/year
- Operating Reserves – four (4) – six (6) months (operating expenses plus debt service)
- Replacement Reserves New Construction: \$250 - \$300 Rehabilitation: \$300 - \$350
- Operating Expense Growth – 2%-4%/year.
- Stabilized debt coverage ratio (in year 2) – 1.15-1.35
- Developments structured with no hard debt –minimum cash flow before deferred developer fee must be at least \$250 per unit annually.

NOTE: IHCDCA will require at least a 1% spread between operating expense growth and rental income growth.

Required Documentation:

- 1) Data supporting the operating expenses and replacement reserves stated in the proforma.
- 2) If the underwriting is outside these guidelines the applicant must provide a detailed explanation.

Award recipients will be required to submit a back-end underwriting form with their close out documents. IHCDCA will compare this information with the original application. If there are any changes that would have originally resulted in a lower award amount, the applicant may be required to repay a portion of the award.

Eligible Housing Activities:

- Rental housing may be in the form of traditional apartments, group homes, or single-room-occupancy units (SROs).
- Eligible rental activities also include assisted living facilities as long as they meet IHCDCA's definition. IHCDCA defines an assisted living facility as living arrangements in which some optional services are available to residents (meals, laundry, medication reminders), but residents still live independently within the assisted living complex. Residents of such facilities pay a regular monthly rent, and then pay additional fees for the services that they desire.

Eligible housing activities **DO NOT** include:

- Costs for operating expenses, or for the use of commercial facilities for transient housing.
- Rental developments that also have Rental Housing Tax Credit financing.
- Reserve accounts for replacements and operating costs.

Eligible Beneficiaries

At initial occupancy, each household in an assisted unit must have an annual income equal to or less than 80% of the area median family income (adjusted for size) for the target area. The HUD Part 5 definition of household income applies. This requirement remains in effect throughout the affordability period. All beneficiaries who occupy CDBG-assisted rental housing units must be income recertified on an annual basis.

- Recipients of CDBG awards for rental housing will be required to report certain information about beneficiaries of assisted units to IHCDCA annually throughout the affordability period in the Annual Rental Report.

Subsidy Limitations

- Maximum award amount is limited to \$200,000.00.
- CDBG funds for acquisition, rehabilitation, relocation and program delivery combined may not exceed:
 - \$35,000 per 0 bedroom/efficiency unit, or
 - \$40,000 per 1 or 2 bedroom unit, or
 - \$50,000 per 3 or more bedroom unit.

Rental Housing Provisions

- All residents for rental housing must enter into a lease agreement with the owner of the development.